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ABSTRACT

The objective stated for this monograph is to provide some insights regarding the nature of urban economic systems and their growth processes which will be useful in formulating developmental policy. A foreword (by Eli Ginzberg) provides background on the history of and present challenge to reshape manpower policies and programs for cities afflicted by unemployment. The first of three chapters deals with the contribution of urban economic theory: the concept of an export base, the nature of selected growth processes, the forces of decentralization, the concept of a hierarchical system of cities, and the connections between demography and urban economics. Chapter 2 interprets recent national social and economic trends in terms of their implications for metropolitan economic development policy. Six themes are stressed: the limited change in export specialization, the growth of local sector employment, uneven rate of growth in productivity among sectors, the emergence of transfers of a major source of metropolitan income, the economic interdependence of central city and suburb, and the widely divergent impact of national demographic trends. The final chapter examines adjustment and stabilization mechanisms as well as sources of renewal in the city (cost-price adjustments; agglomeration linkages; and relative immobility of human, cultural, and fixed capital resources), and implications are suggested for five developmental strategies: getting the export base in focus, looking for linkages, avoiding demographic and economic surprises, getting a line on manpower requirements, and maximizing other income flows. (JT)

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Resource Development

The Transformation of the Urban Economic Base

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A Special Report of the
National Commission for Manpower Policy
Special Report No. 19
February 1978

National Commission for Manpower Policy

CE 015 891

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The Transformation of the Urban Economic Base

Thomas Stanback, Jr.
and
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FOREWORD

As the memorandum of June 3, 1977, for the members of the Commission appended to this document makes clear, the analysis of The Transformation of the Urban Economic Base prepared by Professors Thomas Stanback, Jr. and Matthew Drennan of New York University and members of the Conservation of Human Resources Project, Columbia University, grew out of a grant from the Department of Housing and Urban Development. The Office of Policy Development and Research of HUD acquainted with the work that the Conservation Project had been carrying on for the better part of a decade on the interface between manpower resources and urban development considered it desirable that the highlights of this oingoing analysis particularly as they impinged on local planning and decisionmaking be distilled and disseminated.

The Commission, increasingly concerned with the spatial problems of employment and unemployment, is pleased to be able to present this summary document and thereby assure its broad distribution.

One of the principal strengths of the Stanback-Drennan document is its lack of reliance on esoteric theory and sophisticated methodology. What they have to say about the principal forces impacting the nation's cities and how manpower and manpower related policies could help to slow the decline of some and turn around the fortunes of other urban centers in distress is set forth in a manner intelligible alike to expert and non-expert. Hence the thrust of this Foreword is directed not to the document per se but rather to some of the challenges that the nation and the Commission face as they seek to reshape manpower policies and programs so as to make them more responsible to the needs of the afflicted cities, afflicted by both a weakening of their economic base and an excessively large number of unemployed and underemployed persons. In short, this Foreword is directed to policy perspective so that the thrust and implications of the document can be better appreciated.

In broad brush one can recognize the following stages in the spatial dimensions of U.S. manpower policy and programming. The first serious federal effort, the Area Redevelopment Act of 1961, was, as its name suggests, directed at communities in trouble. Unfortunately the leading proponents of federal intervention, Senator Paul Douglas and Walter Reuther had thought of a highly concentrated demonstration - a few locations with a heavy dose of federal assistance. But by the time the legislation was passed and signed by President Kennedy hundreds of communities were entitled to apply for assistance which, because of budgetary constraints, assured that no community would receive more than a modest amount of aid, surely not enough to turn it around.

The initial thrust of the Manpower Development and Training Act (1962) was directed to assisting skilled workers who presumably had lost their jobs because of technological change and whose reemployment could be speeded if they were afforded an opportunity to be retrained.

By the mid-1960s, with the passage of the Economic Opportunity Act and subsequent amendments to MDTA, manpower programming increasingly sought to assist the hard-to-employ, specifically minorities in urban centers that had above-average rates of unemployment. Federal allocation formulas continued to make some funds available to more affluent suburban communities and a small proportion of the total manpower outlays went to rural areas but for the most part through legislative and administrative action (Job Corps, Concentrated Employment Program, NAB-JOBS, Summer Youth Program) the bulk of the funds were directed towards the urban poor and near poor.

There was little or no coordination among the manpower programs of the 1960s and related efforts to ease the plight of the cities such as funding for Model Cities or federal contributions to infrastructure improvement via grants for transportation. Nor could there be since the goals and procedures for federal-state-local intervention differed from one program to the next.

By the early 1970s and surely by the time CETA was enacted (December 1973) the new federalism of President Nixon had gained considerable momentum. The new view looked with favor on federal funds being handed down to governors, county officials, and mayors with considerable discretion available to them as to how to deploy them in terms of local priorities within the broad framework of the respective programs--revenue sharing, community development, manpower.

So much for the past. Where do we stand today, particularly if one starts from a manpower vantage? The first and overriding reality is the substantial increase in the scale of manpower funds that have become available since the Carter Administration took office. Despite the substantial expansion of the economy and of employment, with a gain of over three million new jobs within a twelve month perid, third quarter of 1976 to third quarter of 1977, the total sums available for manpower programs are up by more than 100 percent, from $6 billion to over $13 billion and may go considerably higher if welfare reform is enacted.

This is not the time nor the place to point out the extent to which various cities, especially those in economic and financial distress, have come to rely on public service employment for providing basic services in their communities. The Commission will report on PSE to the Congress in a special report in March, 1978. But preliminary findings point to the strategic importance of federal manpower funds for a large number of hard pressed communities.

Local public works, a relatively new conduit for $6 billions of federal funds, emphasized speed in launching and high labor utilization as critical factors in the federal allocation process. It will be some time before the impact of these grants on local economic development can be definitely assessed but in the face of the allocation principle one should not expect that these funds served as a major leverage for local economic development.

Much of the $1.5 billion for the initial appropriation and supplemental for the new youth act is targeted on inner-city youth, in school and out-of-school. The objective of the new legislation is to provide many of those currently unemployed with productive work (in the public sector) and many others with supplemental work or training that will encourage them to remain or return to school so that they can earn their diploma. If these objectives are realized, and they surely will be to some extent, this new federal effort will make a modest contribution to altering the local economic scene but it is hard to see how the economic development of the 450 or so prime sponsors among whom the funds must be divided can be significantly affected.

There is discussion underway (December, 1977) in the administration and in the halls of Congress to permit local officials some discretion in the use of federal transportation monies (highways and mass transit) which if enacted could lead to the more focused use of federal funds for urban economic development. But one must quickly add that such a salubricus cutcome is only possible, not inevitable. Depending on the degrees of freedom vouchsafed local officials, one must not overlook their using federal funds to sop up defects in the present transportation systems rather than strengthening the transportation network.

Several months ago the Departments of Commerce, HUD, and Labor initiated experiments in 10 cities aimed at exploring how the federal monies channeled through their respective departments might be untied from unduly restrictive uses so that the mayor could use the total sum more effectively to further economic development and job expansion. Although more time must pass before all of the results of the experiment are in, one lesson is already clear: federal legislative and administrative restrictions place major hurdles in the path of effective local coordination based on an untying of these funds.

Several points can be distilled from this highly selective reconsideration of past developments and present circumstances that bear on the difficulties of using current federal programs to further local economic development:

-----Congress is still conflicted about the degrees of freedom that it is willing to grant to lower levels of government in disbursing federal funds. And conflicts also exist in the executive departments.

-----As long as the present multiple structures for appropriations continue to be in place and as long as the funds are channeled to the field through different federal agencies operating under different laws and administrative regulations, the scope for local discretion will inevitably remain seriously restricted.

-----But a rationalization of the federal government's structure and operations would be a necessary but not sufficient condition for the effective deployment of federal monies for economic development by local elected officials. Many mayors and county officials are seriously constrained in what they can do and more particularly what they can do differently by the power of competing interest groups that leave them limited room for maneuver.

-----But effective urban economic development goes beyond improving the relationships among different levels of government. It also requires government-private-and nonprofit institutions to develop constructive undertakings that will facilitate both planning and implementation. While such relationships exist in a few cities--mostly in those enjoying rapid growth--they are tenuous or non-existent in many metropolitan centers under siege.

-----While successful economic development depends on improvements in these two sets of relationships, between levels of government and between the governmental and non-governmental sectors, one

must recognize that they alone can only help; they cannot assure the desired outcomes. There is no prospect, at least in my view, that all the cities in trouble can be turned around no matter how great the scale of the federal effort, no matter how much the critical relationships are improved. There are powerful forces operating from the side of of technology, markets, history, life-styles, international factors that by reinforcing each other inevitably result in the permanent weakening of some urban communities that in an earlier day were in the vanguard. But cities, especially large cities with their substantial assets of capital and human resources have strong self-healing powers. They may not be able to support as many people as in their heyday in profitable employment but their readjustment to a lower level of activity can be stretched over time so that the pain of readjustment is contained. Whether the moderation of the adjustment process leading to the turn around of the more favored places and the controlled decline of the more vulnerable is achieved or not depends on the understanding and support that is forthcoming at every level of government and in each sector of society and on the ability of local leadership to take full advantage of such support.

A close reading of the Stanback-Drennan paper cannot help but inform those who make the effort of the considerable margin of constructive actions that remain at every level of our society to assure that our cities survive and grow and that in the process they continue to provide employment and career opportunities for all, or at least for most, of their members. And in shaping and refining an urban economic development policy, as the authors stress, the manpower dimension looms large.

ELI GINZBERG
Chairman

I. INTRODUCTION

As we move into the last quarter of the 20th century, a message is being flashed to the American people: the cities are in trouble, particularly those in the northeast and in the industrial mid-west. The problem has been highlighted by the near bankruptcy of New York City, but was heralded by several years of well-publicized fiscal and employment difficulties in Newark.

Not all cities are in trouble, of course. Growing cities such as Houston are experiencing increasing prosperity and even some cities in relatively stable areas, such as Minneapolis-St. Paul, appear to be enjoying economic health. But cities facing at least some measure of problems in making ends meet are found scattered throughout much of the land--from New Orleans to Boston.

The problems of cities find their roots in a number of social and economic factors which vary widely in their impact and appear to be of continuing significance. Among the more prominent factors are:

--Broad economic trends affecting manufacturing employment adversely in many places, while at the same time bringing about a rapid rise in the demand for certain business, government and consumer services in others.

--Large-scale demographic changes involving intrametropolitan (city to suburb) shifts in middle- and upper-income populations and tendencies toward the isolation of low-income minorities in certain large cities, low and still declining birthrates resulting in a changing age structure of the population, and new patterns of migration, drawing highly trained and talented residents away from the older urban areas of the north and middle-west.

--Changing life styles favoring suburban and smaller communities and strongly affected by the widespread popularity of auto transportation.

--An increasing demand for and cost of urban services coupled with erosion of the tax base of many large cities.

--A weakening of local leadership resulting from loss of middle-class residents and a variety of other factors, including rise of crime, deteriorating environment, and fiscal uncertainty, which threaten the availability of public investment funds.

Under such conditions of rapid change and mounting fiscal difficulties, municipal leadership looks, increasingly, toward economic development policy for a solution to its problems. Economic development policy involves a strategy and set of practices by which such leadership can increase the overall productivity of those activities within its bounds which produce goods and services for the market, thereby increasing per capita income and raising the tax base.

There are many ways in which the functioning of any urban economy might be improved were money no constraint. A moment's reflection will indicate that firms will function better if transportation systems are improved, if their choice of workers is broader and job candidates are more literate and more readily trainable, or if public services such as fire and police protection are of higher quality. It will also be clear that firms will find the city a more attractive place to locate if taxes are lower and if executives and professional staff find a richer environment in terms of health and educational facilities and of recreational-cultural amenities.

But some attractions are more important than others, and the resources to fund programs are always limited. Moreover, cities differ in their strengths, their weaknesses and in their potentialities for development. Developmental strategy, therefore, must be grounded upon economic realities and potentialities and must differ from place to place.

The objective of this monograph is to provide some insights regarding the nature of urban economic systems and their growth processes which will be useful in formulating developmental policy. While it does not present a how-to-do-it manual, nor set forth procedures for carrying out feasibility studies for rapid-transit systems or middle-income housing projects, it does

analyze metropolitan growth and examine major trends in suburbanization, regional shifts and demographic structure. In doing so it calls attention to the differences among cities in terms of economic organization and opportunities and suggests priorities in formulating developmental policy.

II. THE CONTRIBUTION OF URBAN ECONOMIC THEORY

A local official seeking to develop his area's economic base must necessarily be guided by assumptions about why firms and workers locate in one place rather than another. Whether he does so knowingly or not, the planner concerned with metropolitan economic development will be applying his own version of urban economic theory. The purpose of this chapter is to make explicit the analytic concepts or "tools" of urban economic theory which are most helpful in planning economic development.

In particular, five aspects of urban economics will be presented. These are: the concept of an export base, the nature of selected growth processes, the forces of decentralization in urban areas, the concept of a hierarchical system of cities, and the connections between demography and urban economics.

A. The Export Base Model

A fundamental contribution of urban economic theory is the observation that the metropolis is itself an economic entity. As in the case of a nation, the metropolis exports certain goods and services and imports certain others.1/ At the same time, a part of the economic organization is engaged in provision of goods and services to meet the needs of its own residents. Those activities which produce goods and services for export (e.g., certain manufacturers, insurance companies, governmental organizations) may be usefully viewed as comprising an export sector. Those which produce for local needs (e.g., retailers, hospitals, schools, police departments) may be viewed as comprising a local sector. Of course, in practice, firms may produce both for export and local markets, but typically they produce predominantly for one or the other. For example, an auto assembly plant will produce cars to be shipped chiefly to dealers outside the city, but some of its output may also go to local dealers. In contrast, a department store may sell principally to local residents and only to a much lesser extent to customers from distant cities.

1/ For an analysis of U.S. intermetropolitan trade using value-added measures see Richard V. Knight, Employment Expansion and Metropolitan Trade (New York: Praeger Publishers, 1973). Historical origins of the export base concept are traced in his similarly-titled unpublished dissertation (London School of Economics and Political Science, University of London, 1972).

The distinction between export and local sector activities is important in understanding the nature of a city's economy and in establishing priorities for development policy. The export sector must function properly if incomes are to be generated within the economy, permitting the purchase of goods and services from elsewhere. The local sector is important also, not only for its own sake, but because it can contribute to making the city an attractive place for export activities to locate. If stores, hospitals, schools, recreational and other local services do not together comprise an attractive local environment, new firms are unlikely to locate and old firms will have difficulty in recruiting talented executives, technicians, and professional staff.

While all cities have an export sector which is their principal source of income from the outside world, the nature of this export sector varies among places. Some cities export automobiles (Detroit); others airplanes (Los Angeles); some export public administration services (Washington, D. C.); others export financial services (New York). Of course, in each case, the city is likely to export more than one line of goods or services.

Since there is great diversity in the economic structure of metropolitan economies, it is helpful to classify them in terms of two basic prototypes: nodal and non-nodal. The nodal metropolis is identifiable by a relatively high proportion of export activity in services--not in one or two particular services, but rather in a wide range of services for both consumers and producers. This type of place generally serves as the hub of its region and provides it with services. Very large nodal-type metropolitan areas may provide high-level services for the nation or the world.

The non-nodal city is identified by a relatively high proportion of export activity in a narrow range of industries. Although this type of place is perhaps most easily visualized as a city with relatively heavy concentrations of employment in manufacturing, the classification also includes places with high concentrations of export activity in a particular services category such as resort hotels and entertainment, medical and educational services, or government. The non-nodal place has a concentration of resources in a restricted number of economic activities for which it has special locational advantages.

The nature of a city's export activities has a wide range of implications for the area. It determines its spatial organization. A nodal place will have a well-developed central business district, while manufacturing and other non-nodal places will not. Export activity helps determine the nature of the local labor force. Nodal places will attract and develop persons with a wide range of white-collar skills, including professionals and technicians, while non-nodal places tend to be characterized by a larger share of blue-collar occupations. The nature of the export sector also affects the character of local recreational and cultural institutes. Nodal places tend to be the home of museums, concert halls, and theaters, all of which are attended and supported by residents of the surrounding area as well as by visitors. Cities with more narrowly-based export sectors have difficulty developing and maintaining such institutions. Of course, many places will have mixed nodal/non-nodal characteristics, but the generalization that the type of economic specialization influences the nature of physical and human resources holds, nevertheless.

Because of its wide ranging implications, the nature of a city's current export activity also has important consequences for future economic development. Nodal places are likely to have significant locational advantages over manufacturing cities in attracting specialized services such as insurance firms and corporate headquarters because they already have the skilled labor pool, the appropriate supporting services, and the cultural facilities its key employees desire.

B. How Growth Takes Place

Within an urban economy, growth may take place through one or more of four related processes. First, gains in productivity may yield more income for the community even if the level of employment does not change. That is, by increasing their productivity, local firms can generate more income for distribution within the local economy.

Such gains in productivity usually result from one or two sources. First, technological or managerial advances within a firm or industry may lead to greater

productivity. Over time, firms and industries have become more productive and this has been a major source of income growth. Second, a metropolis's income may rise because it shifts its export base from lower productivity to higher productivity activities. An urban area where a textile mill closes and is replaced with a steel mill employing the same number of workers will be better off because productivity is higher in the steel industry than the textile industry. Such shifts from lower to higher productivity activities are sometimes referred to as "upgrading the export sector."

Aside from productivity changes, cities may also grow as a result of greater production in their export sectors. If demand for the area's specialty grows, more workers will be hired to work in the industry and more income will be generated. When employment increases as a result of added production in the export sector, there is a secondary or derived demand that results from the respending of incomes within the city's boundaries. Persons receiving income from the export firm in the form of wages, salaries, rents, interest, or profits spend a high proportion of income in the local market, thereby generating an additional "round" of income. Moreover, persons receiving this second round of income also spend a large part locally, generating still further income from which there are still additional "rounds" of spending. This continued circulation of export income, and the resulting employment expansion, is known as a "multiplier effect." Thus, the second growth process--export expansion--works both directly and through its multiplier effects to expand the local economy.

The third growth process--import substitution--arises from the fact that not all of the income that is generated locally is spent within the community. Part of the expenditures of employers and employees is used to import goods and services from outside the city. In short, a part of the local consumer expenditure leaks out of the local economic system. Thus a city can grow by increasing the share of its income which is spent locally.

In order to replace externally produced goods or services with locally produced ones (i.e., to achieve import substitution), the market must reach a size which

permits efficient production of those goods or services. The size of the market required to make a firm economically viable is called the "critical size" of the market. As a metropolis grows, and the market becomes larger, these critical sizes are reached for more and more activities; as a result, local or nonresident firms enter the market and set up shop or expand existing operations.

The result is likely to be an increase in the output destined for use within the metropolis, thereby resulting in import substitution. If the newly formed or expanded firm provides consumer services or goods previously purchased outside the city's economy, there will be import substitution that serves to increase employment in the consumer goods and services sector. Employment expansion arising from import substitution will be further amplified by the multiplier effect described above.

It is important to recognize that critical market sizes exist, and import substitution can take place for business services as well as for consumer goods and services. Examples of business services are advertising agencies, accountants, and data processing bureaus. Business service firms increase as a city grows and as its expanding markets justify the establishment of such firms. An important impetus to still further growth lies in the fact that the existence of these is an attraction to other enterprises to locate within the city, since user firms may secure basic business services outside of their organizations and at lower cost. Such conditions permit a city to compete with other cities for new firms and also to encourage would-be local entrepreneurs to organize new businesses.

Moreover, as the metropolitan economy grows and becomes more complex through import substitution and the agglomeration of business services, its workforce becomes larger through immigration and natural increase and more varied in its experience, offering the new firm a greater range of skills from which to draw. Similarly, medical and educational facilities become larger and more complete in terms of range of specialization as do cultural and recreational facilities. All of these provide a more attractive environment to managerial and professional personnel and strengthen the locational pull of the metropolis.

The fourth basic source of growth is added transfer payments. Just as the metropolitan economy may experience injections of income from the sales of its export firms, it may also receive injections from pensions and social security receipts, from interest, rent and dividends originating elsewhere and from grants of state and local governments. These injections, known as transfer payments, are, of course, amplified by the income multiplier process in the same manner as export sector generated income. It will be shown below that transfer payments are of considerable magnitude and deserve the same careful attention as does the export sector in urban economic developmental policy.

C. Decentralizing Forces and Suburbanization

The preceding discussion has dealt with a set of forces which cause economic activity to become more concentrated as the metropolis grows. What has not been pointed out is that urban growth results in competition for space reflected in higher rents, congestion, living costs and wages, and that these higher costs create a pressure for decentralization.

In most metropolitan areas, the most desirable office space is found in the central business district (CBD), where face-to-face contact among higher order services, customers and suppliers is maximized. Competition for space is greatest here and rents are highest. Such space is bid away by those able to use it most productively with those able to use it only less productively being forced to accept locations further out from the center. There is thus a rent gradient extending outward from the CBD. Given such an economic scenario, growth results in an increased peak rent in the CBD and an extension of the rent gradient as the boundaries of the metropolis are extended.

A corollary to the above is that wages and other costs tend to increase with city size. The explanation of higher costs lies in a combination of circumstances. Rental costs find their way into the cost of living directly through cost of housing services and indirectly through reflection of rents in costs of goods, services, and transportation. Congestion adds diseconomies to certain operations which must be carried out in the city. Moreover, larger cities tend to offer a greater array of public services, thereby necessitating higher taxes.

Firms will seek to avoid the higher costs of the central city where it is possible to do so without sacrificing productivity. It is this last observation which explains much of the decentralization of metropolitan economic activity that has taken place in recent years. In earlier years, highly concentrated land use within the central city was necessitated by a system of transportation (largely rail and water) which required that both firms and workers be located there. In recent times, however, new modes of transportation (auto and air) coupled with new organizational and communications arrangements have acted to release these locational constraints permitting some functions to be shifted to decentralized, lower cost locations. It is this essential fact which lies behind the very rapid suburbanization of the post-war years.

Urban economic theory sheds light on the suburbanization process and its implications for the city's economy when both city and suburb are regarded for analytical purposes as having export and local sectors. For the suburbs the export sector is not only the manufacturing, wholesaling and back-office firms which are located there, but also the labor of its daily commuters to the city--a "hidden" export to the city.

The suburban local sector is comprised of the wide assortment of retail and of private and public service establishments which provide for the needs of the relatively affluent populace. Because these rich, predominantly middle- and upper-income markets provide a heavy demand, the suburban local sector has tended to grow very rapidly. Not only has there been a widespread development of shopping malls and recreational facilities, but also establishment of modern suburban medical and higher education facilities. Demand from a large affluent sector of the population, coupled with convenience of job location offered to professionals and technician staffs, appears to be creating a strong locational force, pulling such public facilities away from the city and from the lower-income groups who tend to be concentrated in the city.

In addition, the suburban economy has grown through the processes outlined in the previous section. The rapid growth of its local sector is due in large part to import substitution, as nearby firms have come to

provide goods and services previously available only in the central city. Growth in its export sector has come about as availability of sites with easy access to highways, along with a larger and more varied labor supply, have attracted an increasing number of manufacturing, distributing, and "back-office" service activities.

It is clear that for most cities, suburbanization has brought about major difficulties. The exodus of manufacturing and of other firms has robbed the city of an important part of its tax base. The loss of a major share of its middle- and upper-income residents has similarly damaged its tax base and at the same time has siphoned off a large share of the income which in the past has supported city retailers and other consumer services firms.

D. The Urban Hierarchy and the "Passing Down" of Functions

The preceding sections have tended to treat urban areas as independent economic units. But economic theory has also recognized that urban places are related to each other in systematic fashion. The national economy can be viewed as a system of metropolitan areas. This system may best be conceptualized as a hierarchy, with villages and towns at the base and national and international metropolises at the apex.

The hierarchical concept is valid largely in terms of service functions: National administrative functions, whether for the public, private, or nonprofit sector tend to be concentrated in a limited number of very large national centers; regional functions tend to be carried out in a larger number of regional centers; subregional functions are much more widely dispersed, while purely local area functions are performed in virtually every place. The position of a city in the national urban system or hierarchy may thus be approximated by the level of its most advanced service activities. The highest-order activities are generally considered to be those that compete in international markets, and locations where these activities are concentrated are generally designated as international metropolises (for example, New York, London, and Paris). In descending order follow national, regional, and various subregional centers--

state capitals, county seats, villages, and hamlets. It should be apparent that as one ascends the hierarchy, the number of activities performed tends to increase, for all lower-order functions plus the additional higher order ones are carried out.

Although a hierarchical system comprises a logical structure for most service activities, it does not necessarily hold for manufacturing or for certain specialized services such as resorts or military bases. These places are often resource (input) oriented rather than market oriented. A manufacturing firm, for example, may be drawn to cheap raw materials, power, or labor. Moreover, it may find it undesirable and unnecessary to compete for space, labor, or transportation facilities with other activities. It may find no economies in locating close to various business, government, or specialized consumer services firms which require a proximity to concentrated markets (and, frequently, to each other) for successful operation. This is not to deny that manufacturing is frequently oriented to the great markets and abundant labor of large metropolitan areas. It is simply to say that a hierarchical ordering of manufacturing and other non-nodal activities need not apply.

The analysis thus far makes clear that the function of nodal metropolitan places is to serve their outlying (hinterland) areas by providing a variety of business and consumer services. Clearly, as regions grow through increases in manufacturing, agricultural or other productive activities, these hinterland markets are enlarged and provide a basis for expansion and for an increased variety of services within their nodal center. Since specialization is dependent upon extent of the market, what takes place is the development of higher levels of expertise in growing regional centers. For example, with the growth of the South Atlantic region, it is possible for certain functions such as advertising and banking which were previously performed for this area in New York City to be performed, at least partially, in Atlanta. There has been a "passing down" of functions. Older centers must share, or, in some instances, give up markets to newer ones.

This passing down of function is often misunderstood and labeled as needless loss of competitiveness by the larger metropolis which has lost the distant market.

But frequently the shift is simply the concomitant of overall growth. The remedy for the larger place is not simply to compete aggressively with metropolises lower in the hierarchy, but to seek new business in a growing national and world economy through development of higher levels of expertise.

E. The Connections Between Demography and Economic Theory

While the emphasis in this chapter has been on certain factors directly affecting economic growth, a concern for metropolitan economic development must be informed by a knowledge of related demographic factors. In particular, two aspects of local demography are critical to an area's economic prospects--age structure and migration trends.

It is difficult to overestimate the importance of age structure as a factor capable of creating both problems and opportunities in urban development. For example, where most of the population is under 18 or over 65, the workforce will be small. Young people aged 5 to 18 will require educational services, while persons over 65 will demand a variety of "senior citizen" services. Moreover, where there is a sharp transition of an unusually large cohort into the 18-and-over age bracket, there will be need for additional employment and, later, a substantial increase in household formation and a fresh demand for housing.

Both the "baby boom" of the years immediately following World War II and the sharp decline in births beginning in the early sixties (the peak year of births was 1961) have been widely noted. There has been, however, no similar appreciation of the impact which these demographic trends will have on economic and social life.

During the period 1960-75, the huge groups of young workers entered upon the scene, and by 1975 the 15-to-29-year group increased by more than 21 million over the 1960 figure (at an annual rate of 3.17 percent for the period). The years 1975 to 1990 are to be characterized largely by a maturing of this young labor

force. By 1990, the 30-to-44-year group will have increased by more than 20 million (at an annual rate of 2.97), and the 15-to-29-year group will have declined.

What this means, of course, is that we are entering a period of sharp transition from an era in which young people were trying to find initial employment (largely in secondary, part-time work) to one in which these same individuals are becoming mature adults, forming households, and seeking to realize long-term career ambitions.

Although these changes will pose a major challenge to the American economy as a whole, the impact will vary among metropolitan areas because of differences in age structures arising in part out of past differences in migration. Migration, then, emerges as a key factor for a city's economic development. Several migration characteristics established through recent research must be recognized.2/ First, migrants are attracted to areas where labor is in demand but may not always leave in substantial numbers those areas of labor surplus. This characteristic is likely to be reinforced by a "beaten path" effect so that relatively few centers account for a major part of all immigration. Second, immigration and economic growth tend to be mutually reinforcing. Just why this is so has not been fully determined, but in part it appears to be due to the fact that migrants as a group tend to be somewhat better educated, more aggressive, and younger than their counterparts left behind. They enhance the labor pool of the area to which they migrate and in turn attract additional firms. The converse of this observation is, of course, that out-migration and decline also tend to go hand in hand. Third, areas which are experiencing high levels of growth typically have high levels of both in-migration and out-migration, although the net results is usually population gains. On the other hand, areas of low growth have low rates of both out- and in-migration. In such areas, such out-migration as does occur draws away the younger, more skilled and better educated worker leaving behind the older and less productive.

2/ The following paragraphs related to migration are based on Peter A Morrison's "Urban Growth and Decline in the United States: A Study of Migration's Effect in Two Cities," The Rand Paper Series, P-5234, Rand Corporation, Santa Monica, California.

The dissimilarity between the rapidly growing city experiencing high rates of in-migration and the declining city with net out-migration is exemplified by a recent study of San Jose, California and St. Louis, Missouri. In high-growth San Jose, both in- and out-migration rates have been extremely high. The demographic legacy of its growth is found in a population that is relatively young and mobile. The preponderance of the young and scarcity of the elderly indicates that population will continue to increase in spite of declines in the fertility rate. Such a city is, however, subject to sharp net out-migration should its economic fortunes deteriorate, since its young people tend to be a highly migration-prone group.

In declining St. Louis, migration of whites to the suburbs has taken the young, leaving the aging and the disadvantaged with few favorable prospects. Among the blacks, there is continued natural increase, but this is offset by black out-migration. The result is a city beset with social and economic difficulties, with poor prospects for renewing its depleted manpower resources.

The lesson of this brief analysis for development policy is that demographic structure and anticipated changes are of major significance. It is from analysis of population age structure and expected migration patterns that one learns of a city's human resources potential and special needs.

III. RECENT TRENDS IN THE LIGHT OF THEORY

Much attention is often given to national trends such as the regional population shift, the rise of service employment, the growth of the suburbs, and increased manufacturing productivity. But local planners require some way of relating these trends to the fate of their own area. Urban economic theory provides a useful approach in assessing recent national trends and their relevance to an area's economic development strategy.

The purpose of this chapter is to interpret recent national social and economic trends in terms of their implications for metropolitan economic development policy. Six themes are stressed--the limited change in export specialization among metropolitan areas, the growth of local sector employment in virtually all metropolitan areas, the uneven rates of growth in productivity among sectors, the emergence of transfers as a major source of metropolitan income, the economic interdependence of central city and suburb, and finally, the widely divergent impact on metropolitan areas of national demographic trends.

A. Limited Change in Export Specialization

The previous chapter stressed the significance of an area's export base or specialization for both its current economic health and future developmental prospects. Hence, it is important to determine the impact of recent national trends on the export activity of American cities.

The distribution of all metropolitan areas (SMSAs) by major export activity in the United States in 1970 is presented in Table 1.3/ Of the total of 259 areas,

3/ The basis for this classification is found in Thomas M. Stanback, Jr. and Richard V. Knight, The Metropolitan Economy (New York, Columbia University Press, 1970). The data in Table 1 and subsequent tables represent an updating of this study using SMSA definitions in effect in 1974.

Table 1. SHARES OF EMPLOYMENT IN SELECTED INDUSTRIAL CLASSIFICATION BY SIZES AND TYPES OF SMSA's, 1970

SMSA's				Shares (%) of Employment[a]						
Size[b]	Type	Number	Percent[c]	Construction	Manufacturing	Mainly Business Services	(FIRE)	Mainly Consumer Services	(Retail)	Government
Large		17	(6.6)	5.3	26.1	20.4	(6.0)	38.0	(15.5)	7.6
	Nodal	9	(3.5)	5.5	25.0	22.6	(6.8)	38.5	(15.8)	5.6
	Manufacturing	5	(1.9)	4.8	33.2	17.8	(4.7)	36.9	(15.8)	4.8
	Mixed	2	(0.8)	5.5	27.2	17.6	(5.2)	36.8	(15.2)	10.4
	Government	1	(0.4)	5.4	6.3	17.1	(5.3)	39.2	(13.3)	30.1
Medium		58	(22.4)	5.8	27.1	18.2	(5.2)	37.7	(15.8)	7.8
	Nodal	20	(7.7)	6.5	18.7	22.3	(6.2)	40.0	(16.6)	8.1
	Manufacturing	25	(9.7)	5.1	36.8	15.5	(4.4)	35.6	(15.1)	4.4
	Mixed	7	(2.7)	5.7	26.0	18.2	(5.2)	38.9	(15.8)	7.5
	Government	5	(1.9)	5.6	11.2	15.1	(4.5)	36.2	(15.0)	28.7
	Resort	1	(0.4)	11.7	11.8	21.4	(7.3)	47.0	(22.1)	4.4
Small		184	(71.0)	6.1	23.0	15.0	(4.1)	40.6	(16.2)	9.2
	Nodal	26	(10.0)	6.1	16.2	20.2	(5.7)	43.4	(17.9)	6.2
	Manufacturing	48	(18.5)	5.2	38.4	12.6	(3.4)	35.9	(15.3)	3.7
	Mixed	62	(23.9)	6.6	21.2	16.2	(4.1)	41.1	(16.6)	7.3
	Government	28	(10.8)	5.6	14.5	13.3	(3.7)	35.2	(14.7)	27.0
	Medical/Ed.	14	(5.4)	5.8	13.5	11.4	(3.9)	54.2	(15.6)	10.6
	Resort	6	(2.3)	8.7	10.4	17.2	(5.6)	52.0	(20.0)	6.6
Total		259	(100.0)	6.0	24.1	16.1	(4.5)	39.8	(16.1)	8.8
	Nodal	55	(21.2)	6.2	18.7	21.4	(6.1)	41.3	(17.1)	6.8
	Manufacturing	78	(30.1)	5.1	37.6	13.8	(3.8)	35.9	(15.3)	4.0
	Mixed	71	(27.4)	6.5	21.9	16.5	(4.3)	40.7	(16.5)	7.4
	Government	34	(13.1)	5.6	13.8	13.7	(3.9)	35.5	(14.7)	27.4
	Medical/Ed.	14	(5.4)	5.8	13.5	11.4	(3.9)	54.2	(15.6)	10.6
	Resort	7	(2.7)	9.1	10.6	17.8	(5.8)	51.3	(20.3)	6.3

a/ Primary industries and utilities not shown.
b/ Size definitions: Large, over 2 million; Medium, 0.5-2 million; Small, less than 0.5 million population
c/ Percent of total SMSA's in U. S.
SOURCE: Compiled from Regional Employment by Industry 1940-1970 by L. D. Ashby and D. W. Cartwright, Bureau of Economic Analysis, U. S. Department of Commerce.

the largest group (30%) were primarily manufacturing cities. The second largest group (27%) were "mixed" having both manufacturing and business service activities. Approximately one in five SMSAs (21%) were national, regional, or subregional service centers (i.e., nodal) metropolises. Another 13% were government centers and the remaining areas were either primarily medical-education centers (5%) or resort areas (3%).

An important observation from Table 1 concerns the relationship between size and export base. Larger places tend to have the greatest concentrations of employment in business services. This means that larger places are major exporters of such services even though several of the larger places have heavy manufacturing concentrations as well. Past growth has proceeded through agglomeration of services and the availability of such services has provided the basis for location of national and regional corporate and institutional headquarters, financial exchanges, and major colleges, universities and cultural establishments.

A second observation involves the role played by business services in the places classified as specialized in a single major activity. In most manufacturing places there appeared to be a dearth of business services, indicating that supporting services were either internalized within the business organization or were performed by independent firms located in proximity to some distant corporate headquarters. Recreation-resort places showed concentrations of employment in FIRE and retail services employment but typically not in other services. The other specialized places--medical-educational centers and places with especially heavy government employment--did not as a rule have broadly based service sectors.

We note also that in each size class nodal places show relatively large shares of employment in consumer services (especially retailing), indicating that these SMSAs are engaged in export specialization in a broad array of services. Larger places show smaller shares of employment in retailing than do smaller places, however. In relative terms, retailing plays a lesser role in their economies, although we know that it is the largest places that are likely to have the most specialized department stores and other outlets.

There is also an important relationship between region and export specialty (see Table 2). In New England, the Mideast, and the Great Lakes, 65 percent or more of metropolitan areas are in the manufacturing category. In the remaining regions, only 15 percent or less of the areas specialize in manufacturing. On the other hand, no more than 15 percent of metropolitan areas in each of the three heavily industrialized regions are classified as nodal, in contrast to 35 percent or more in the Plains, Rocky Mountains, and Southwest. The Southeast and Far West fall in between these two groups with 21 and 24 percent, respectively.

How are such differences in regional systems to be explained? The answer appears to be mainly in terms of the way in which businesses provide themselves with services. Where there is heavy concentration of employment in manufacturing, there seems to be a tendency for business services to be provided within the firm's own organization or by firms located in headquarters cities. Under such conditions smaller nodal centers have failed to develop and there is little reason to think that such development is forthcoming. In the Plains, Southeast, Southwest, and Rocky Mountains, there is more primary activity (agriculture and mining) and greater geographic dispersion. In agricultural areas firms (largely farms) tend to be smaller and are also geographically dispersed. In general, they must make extensive use of the service provided by supply organizations such as truckers, warehousing firms, auction markets, insurance agencies, banks, and wholesalers. It is necessary that nodal centers be located closer to the goods producing firms. Accordingly, these centers tend to be smaller and more numerous. No single great nodal city has as yet developed in these regions although there are vigorous and growing regional capitals (nodal places) such as Atlanta, Memphis, Dallas, Phoenix, and Denver, which play major roles in the business and cultural life of the hinterland they serve, and a number of smaller nodal places as well. In the Far West, there is less manufacturing than in the old industrial belt of the East and Great Lakes, but primary activities (i.e., agriculture, mining, fisheries) are frequently organized as substantial corporate entities and the large nodal centers appear to have taken over a major share of the service functions of the regions. (There are, however, two medium-size and three small nodal metropolitan areas, as well as a number of mixed-type places, which may be evolving toward a full-fledged service role.)

Table 2. NUMBER AND PERCENT OF SMSAs BY SIZE, TYPE, AND REGION, 1970

	Nodal		Manufacturing		Mixed		Government		Medical/ Education		Resort		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
New England														
Large	1	7.7	0	....	0	....	0	....	0	....	0	....	1	7.7
Medium	0	....	6	46.2	0	....	0	....	0	....	0	....	6	46.2
Small	1	7.7	4	30.8	0	....	1	7.7	0	....	0	....	6	46.2
Total	2	15.4	10	76.9	0	....	1	7.7	0	....	0	....	13	100.0
Mideast														
Large	2	6.1	2	6.1	2	6.1	1	3.0	0	....	0	....	7	21.2
Medium	0	....	8	24.2	1	3.0	0	....	0	....	0	....	9	27.3
Small	0	....	12	36.4	4	12.1	0	....	1	3.0	0	....	17	51.5
Total	2	6.1	22	66.7	7	21.2	1	3.0	1	3.0	0	....	33	100.0
Great Lakes														
Large	1	1.9	2	3.8	0	....	0	....	0	....	0	....	3	5.8
Medium	1	1.9	9	17.3	1	1.9	0	....	0	....	0	....	11	21.2
Small	2	3.8	23	44.2	8	15.4	5	9.6	0	....	0	....	38	73.0
Total	4	7.7	34	65.4	9	17.3	5	9.6	0	....	0	....	52	100.0
Plains														
Large	1	5.0	1	5.0	0	....	0	....	0	....	0	....	2	10.0
Medium	2	10.0	0	....	0	....	0	....	0	....	0	....	2	10.0
Small	7	35.0	2	10.0	5	25.0	2	10.0	0	....	0	....	16	80.0
Total	10	50.0	3	15.0	5	25.0	2	10.0	0	....	0	....	20	100.0

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	Nodal		Manufacturing		Mixed		Government		Medical/ Education		Resort		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Southeast														
Large	0	....	0	....	0	....	0	....	0	....	0	....	0	....
Medium	10	14.1	2	2.8	2	2.8	1	1.4	0	....	1	1.4	16	22.5
Small	5	7.0	6	8.5	24	33.8	14	19.7	3	4.2	3	4.2	55	77.5
Total	15	21.1	8	11.3	26	36.6	15	21.1	3	4.2	4	5.6	71	100.0
Southwest														
Large	2	6.5	0	....	0	....	0	....	0	....	0	....	2	6.5
Medium	3	9.7	0	....	0	....	1	3.2	0	....	0	....	4	12.9
Small	6	19.4	0	....	11	35.5	6	19.4	2	6.5	0	....	25	80.6
Total	11	35.5	0	....	11	35.5	7	22.6	2	6.5	0	....	31	100.0
Rocky Mountains														
Large	0	....	0	....	0	....	0	....	0	....	0	....	0	....
Medium	2	20.0	0	....	0	....	0	....	0	....	0	....	2	20.0
Small	2	20.0	1	10.0	1	10.0	2	20.0	2	20.0	0	....	8	80.0
Total	4	40.0	1	10.0	1	10.0	2	20.0	2	20.0	0	....	10	100.0
Far West														
Large	2	6.9	0	....	0	....	0	....	0	....	0	....	2	6.9
Medium	2	6.9	0	....	3	10.3	3	10.3	0	....	0	....	8	27.6
Small	3	10.3	0	....	9	31.0	5	17.2	0	....	2	6.9	19	65.5
Total	7	24.1	0	....	12	41.4	8	27.6	0	....	2	6.9	29	100.0

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	Nodal		Manufacturing		Mixed		Government		Medical/ Education		Resort		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
United States														
Large	9	3.5	5	1.9	2	0.8	1	0.4	0	....	0	....	17	6.6
Medium	20	7.7	25	9.7	7	2.7	5	1.9	0	....	1	0.4	58	22.4
Small	26	10.0	48	18.5	62	23.9	28	10.8	14	5.4	6	2.3	184	71.0
Total	55	21.2	78	30.1	71	27.4	34	13.1	14	5.4	7	2.7	259	100.0

For size definitions of SMSAs see Table 1.

* The following SMSAs had counties in more than one region, but were classified according to major region as indicated.

SMSA	Size	Type	Major Region	Minor Region
Washington, D. C.....	Large	Govt	Mideast	Southeast
Cincinnati.....	Medium	Mfg	Great Lakes	Southeast
Davenport.....	Small	Mfg	Great Lakes	Plains
Evansville.....	Small	Mixed	Great Lakes	Southeast
Steubenville-Weirton.....	Small	Mfg	Great Lakes	Southeast
Minneapolis-St. Paul.....	Large	Nodal	Plains	Great Lakes
St. Louis.....	Large	Mfg	Plains	Great Lakes
Duluth-Superior.....	Small	Mixed	Plains	Great Lakes
Louisville.....	Medium	Mixed	Southeast	Great Lakes
Huntington-Ashland.....	Small	Mixed	Southeast	Great Lakes
Parkersburg-Marietta.....	Small	Mfg	Southeast	Great Lakes
Wheeling.....	Small	Mixed	Southeast	Great Lakes
Fort Smith.....	Small	Nodal	Southeast	Southwest
Texarkana.....	Small	Mixed	Southwest	Southeast

SOURCE: Compiled from Regional Employment by Industry 1940-1970 by L. D. Ashby and D. W. Cartwright, Bureau of Economic Analysis, U. S. Department of Commerce.

How has this mix of cities as classified by export base changed since 1960? Simply put, the answer is that there has been relatively limited change. During the 1960-70 period, very few of the metropolitan areas have changed their export specialties. Among the 259 SMSAs in the continental U. S., only 21 or 8 percent changed industrial composition of employment sufficiently to warrant reclassification between 1960 and 1970.

There are two important corollaries to this finding. The first is that those places which were already centers of business services in 1960 tended to be the places which experienced the greatest growth in business services since 1960. This is shown in Table 3, which cross-classifies SMSAs on the basis of shares of employment in business services in 1960 and shares of job increases in business services from 1960-70. Among the 115 places with higher-than-average shares of 1960 employment accounted for by business services, 80 (70 percent) also had higher-than-average shares of job increases accounted for by business services during the decade 1960-70. On the other hand, among the 144 places with below-average shares of 1960 employment in business services, only 44 (30 percent) had higher-than-average shares of 1960-70 job increases in business services. Moreover, 43 of the 55 nodal places (78 percent) were among the group of SMSAs with above-average shares of job increases accounted for by expansion of business services, but only 34 of the 78 manufacturing places (44 percent), 30 of the 71 mixed places (42 percent), 13 of the 34 government (38 percent), 4 of the 7 resort places (57 percent), and none of the 14 medical-educational places showed above-average shares of job increases due to business services growth.

A second corollary of the limited change in export specialties is the fact that places which were primarily manufacturing centers in 1960 have made little progress in shifting their economic base to service activities. There has been a tendency for some growth of local sector-type business services to occur everywhere due to change in consumer banking and credit using practices (see below). In those metropolitan economies where little other growth has occurred, this employment growth comprises an important share of total job increases. But the figures are misleading because

Table 3. WHERE JOB CREATION IN MAINLY BUSINESS SERVICES HAS OCCURRED, 259 SMSA's (% SHARES OF JOB INCREASES 1960-70 RELATED TO % SHARES OF TOTAL EMPLOYMENT 1960)

259 SMSA's Distributed by Share of Job Increases 1960-70, Mainly Business Services	259 SMSA's Distributed by Share of Total Employment, Mainly Business Services 1960							
	Number below mean[a]				Number above mean[a]			
	Nodal	Mgf.	Other[c]	Total	Nodal	Mfg.	Other[c]	Total
Number above mean[b]	-	24	20	44	43	10	27	80
Number below mean[b]	-	43	57	100	12	1	22	35

a/ Mean of shares of total employment accounted for by Mainly Business Services in 1960 is 15.00%.

b/ Mean of shares of job increases accounted for by Mainly Business Services 1960-70 is 18.02%.

c/ Includes SMSAs classified as mixed, resort, medical-educational, government.

SOURCE: Complied from Regional Employment by Industry 1940-1970 by L. D. Ashby and D. W. Cartwright, Bureau of Economic Analysis, U.S. Department of Commerce.

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nothing much has happened to reshape the export base. This would apply especially where manufacturing employment has decreased or held constant with rising output per production worker and thus employment increases which have occurred have taken place largely in various local sector services (business, consumer, and governmental).

There is considerable regional variation in the extent to which manufacturing centers have shifted, or failed to shift, to service activities. New England and, to some extent, the Mideast area have experienced considerable transition out of manufacturing; the Great Lakes area very little. In the South and West there has been considerable growth in manufacturing, of course; but it has been dispersed geographically rather than concentrated in selected metropolitan areas. Moreover, it has tended to be accompanied by vigorous growth in other activities. In general, there has been above average growth in business services in the SMSA's of these regions.

A major question is what lies in store for the Great Lakes region and how its highly specialized manufacturing economies are to cope with major losses of manufacturing should they occur. Of all the regions, it has the highest percentage of employment in manufacturing and has experienced the least shift into business services. Compared to other regions it has the highest average value added per manufacturing worker; has experienced relatively little decrease in percentage of production workers and relatively little decline in total manufacturing employment (see Table 4). The Great Lakes cities are relatively specialized--in bricks, mortar, and machines and, often, in the skills of their people. As such they are vulnerable to changes in technology and to declines in demand for their manufactured goods that often come with the introduction of new products which they are not equipped to produce.

To sum up, there has been little change since 1960 in metropolitan export bases. Growth in business services is found disproportionately in nodal places where specialization already existed. Transformation towards a service economy is slow among most of the manufacturing places, and this is particularly true of manufacturing centers in the Great Lakes Region.

Table 4. REGIONAL VARIATION IN MANUFACTURING ACTIVITY 1967-72

Region	Change in % of production workers, mfg.	Net change in mfg. employment (%)	Change in value added per employee (%)	Average value added per mfg. employee, 1972
New England	-3.52	0.5	36.5	$11,170
Mideast	-2.04	-9.46	37.57	$13,529
Great Lakes	-1.46	-2.92	38.25	$14,361
Plains	-.54	8.79	41.28	$13,905
Southeast	-.63	+13.85	37.55	$12,418
Southwest	1.46	+24.19	36.15	$13,048

SOURCE: U. S. Bureau of Census, Census of Manufacturers, 1967 and 1972 editions. All figures are unweighted averages of corresponding data for states within the region.

B. Widespread Growth of the Local Sector

While little change has taken place in the export base of cities, significant change has generally occurred in their local sectors--the local sector has expanded significantly. As more capital intensive methods and more sophisticated technology have been employed in primary activities and in manufacturing there has been a rise in per capita income throughout the nation and an increased consumer demand for private and public sector goods and services. In metropolitan economies this new demand has given rise to the growth of local sector services.

This trend may be observed in broad perspective by examining the composition of employment and employment change for metropolitan areas over the years 1950-70 (Table 5). During the first decade, manufacturing held virtually constant as a share of total SMSA employment, but its share dropped by four percentage points during the 60's. Business services and government employment gained less than two percentage points each during the two decades, while the largest gain occurred in consumer's services which gained about six percentage points. Business and consumer services when combined with government accounted for over 65 percent of all metropolitan area employment in 1970.

Given the tendency for manufacturing employment to decline in relative importance and for rather sharp increases to occur in shares of employment in service classifications, the marginal impact of services employment expansion has been dramatic. For the decade of the 60's, business services, consumer services, and government accounted for 80.3 percent of all job increases in all SMSAs.

The medical, educational, other professional services (largely in the private not-for-profit and public sectors) were the source of the most dramatic gains during the 60's. Nearly one-third (32.8 percent) of all job increases were in these categories alone. They were also the greatest source of gains during the 50's, when they accounted for 22.0 percent of all job increases. This growth represented a vast new demand for services arising out of changed demographic structure

Table 5. DISTRIBUTION OF TOTAL SMSA EMPLOYMENT IN 1950, 1960 AND 1970, AND SHARE OF JOB INCREASES/JOB DECREASES, 1950-60, 1960-70 IN THE U. S. FOR SELECTED INDUSTRIAL CLASSIFICATIONS

	1950 Employment Share %	1950-60 Job Increases %		1950-60 Job Decreases %	1960 Employment Share %	1960-70 Job Increases %		1960-70 Job Decreases %	1970 Employment Share %
Primary	5.65	0.70		34.99	3.34	0.46		15.27	2.15
Construction	6.22	4.03		1.10	5.96	3.23		2.12	5.51
Manufacturing	29.26	30.96		33.48	29.46	15.35		46.37	25.48
Utilities	1.48	1.00		0.49	1.41	0.68		0.39	1.29
Mainly Business Services	17.69	16.81		18.02	17.48	22.18		9.31	18.92
Transportation	5.65	2.65		16.51	4.54	3.03		8.72	4.01
Communications	1.43	1.15		0.34	1.41	1.86		0.06	1.58
Wholesale	4.04	2.51		0.87	3.84	5.64		0.50	4.40
FIRE	4.17	6.71		0.07	4.90	6.70		0.00	5.53
Business/Repair Services	2.40	3.78		0.23	2.79	4.95		0.03	3.41
Mainly Consumer Services	32.62	36.10		9.19	34.36	50.12		21.88	38.51
Retail	16.12	9.86		6.03	15.17	14.99		1.41	15.75
Recreation/Entertainment	4.58	2.05		1.97	4.13	2.30		1.66	3.82
Private Household	2.95	2.17		1.19	2.85	0.01		18.80	1.49
Medical/Education	8.97	22.02		0.00	12.20	32.82		0.00	17.45
Government	7.08	10.40		2.72	7.99	7.98		4.66	8.13
Administration	5.01	5.66		0.38	5.34	5.74		0.76	5.64
Armed Forces	2.07	4.74		2.34	2.64	2.24		3.90	2.50
Total U. S.	100.00	100.00		100.00	100.00	100.00		100.00	100.00
Rates of:									
Job Increases		26.6				2.79			
Job Decreases				5.1				5.5	
Net Employment Change			21.5				22.4		

SOURCE: Compiled from Regional Employment by Industry 1940-1970 by L. D. Ashby and D. W. Cartwright, Bureau of Economic Analysis, U. S. Department of Commerce.

and new demand for higher level of education and health care. Expansion was heavily financed out of the public purse at state and federal levels and, accordingly, was not confined to selected locations. Although a few medical and educational centers grew extremely rapidly, medical and educational employment expansion was important everywhere. In only 12 of the 259 SMSAs within the American economy did the medical, educational, other professional category account for less than 24 percent of all job increased during the 60's.

Similarly, growth in retailing and in most other consumer services occurred everywhere. What this means is that growth in consumer services, which accounted for more than half of all job increases, was largely ubiquitous and, accordingly, has served to enlarge the local sector of virtually all metropolitan places.

This is true to a large extent of the so-called business services as well. As noted above, business services belong in both sectors for, in part, they provide for the needs of export sector firms and of firms located elsewhere, and, in part, for the needs of local sector firms and of individual consumers. In recent decades firms within this grouping have come to render an increasing number of services to consumers. The variety of checking, investment and lending services carried out by banks has become ever more elaborate. At the same time, there has been a sharp rise in the use of consumer installment credit and of credit cards, while savings banks have risen from a trivial status to play a major role among financial institutions. In the insurance field, there has been a proliferation of types of coverage available to the man on the street. All of this means a rise in the extent to which business services are consumer-oriented and are accordingly found in almost every city and town.

Thus local sector growth in services has been large and has occurred in virtually all metropolitan areas. This means that <u>on the surface</u> all metropolitan places appear to be in the process of becoming increasingly alike. But such generalized local sector growth disguises the important fact that business and consumer services may play strategic roles in the export sector in some places and not in others.

Moreover, the economics of local sector service growth needs to be stressed: local services can grow only when incomes grow or when there is funding through special grants (e.g., health programs paid for by federal dollars; increased flows of social security and private pension funds to individuals). An increase in local service employment requires an increase in export services productivity and earnings per employee, or a larger role of income payments from other sources.

C. The Uneven Growth in Productivity

The previous discussion focussed on employment changes. But jobs in different industrial sectors are not equal in terms of income generated for two reasons:

--differences in productivity;

--differences in the mix of full-time and part-time work.

Table 6 presents estimates of productivity (national income per hour worked) for selected industry groups. Both levels and rates of growth of productivity have varied considerably among groups.4/ This is especially apparent if we compare changes in output per labor hour in the relatively capital-intensive industries (e.g., manufacturing, communication) and in the more labor intensive activities (e.g., retailing and the heterogeneous "other services" classifications). We observe, for example, that in spite of continuous improvement, retailing output per hour was less in 1976 than it had been in manufacturing in 1950--more than a quarter of a century earlier.

These broad national trends have an exceedingly important implication. As productivity has increased generally more has been produced and more consumed. But in manufacturing when there have been rapid gains

4/ The measure of productivity used is constant dollar (1972) national income per hour worked by persons engaged in production (employees, proprietors, and partners). It reflects the average contribution to real output, valued at factor prices, of one hour of labor time in each industry group.

Table 6. REAL NATIONAL INCOME PER HOUR WORKED, 1950-76
(1972 CONSTANT DOLLARS)

Year	Mfg.	Transp.	Commun.	Elec., Gas & Sanit. Services	Wholesale	Retail	FIRE	Other Serv.	Gov't and Gov't Ent.
1950	$3.86	3.75	3.47	4.89	3.63	2.58	11.83	3.30	5.11
1960	4.52	4.60	6.11	8.82	4.48	2.86	13.06	3.17	5.22
1970	5.98	6.03	9.10	12.40	5.98	3.51	13.99	4.32	5.47
1976	7.49	7.17	12.79	12.60	6.97	3.82	15.57	4.52	5.68
Average Annual Percent Change									
1950-60	1.6%	2.1%	5.8%	6.1%	2.1%	1.0%	1.0%	1.1%	0.2%
1960-70	2.8	2.7	4.0	3.5	2.9	2.1	0.7	1.6	0.5
1970-76	3.8	2.9	5.8	0.3	2.6	1.4	1.8	0.8	0.6

SOURCE: The National Income and Product Accounts of the United States, 1929-74, and Survey of Current Business, July 1977, Tables 6.3, 6.11, and 7.15.

in productivity, employment has shown little increase with growth in total output, whereas in the services, employment has increased sharply. Business services, at least as exemplified in FIRE, have shown significant increases in productivity and in employment, but it is not unlikely that employment increases in this latter group are in large measure related to the delivery of more banking, finance, and insurance services to consumers, as was discussed above. Business services draw upon both highly paid professionals and executives and a large group of relatively low-paid clerical staff. One may surmise that for many places (where the advanced and well-paying business services do not flourish) growth in business services, like growth in consumer services, has tended to emphasize relatively low productivity employment growth.

The significance of this trend is amplified by the fact that consumer service jobs are often part-time as well as low-wage, contributing to further differences in income generated per job. Table 7 presents a count of total and of full-time employees for selected industries in 1975 as well as ratios between the two measures. We observe that two major categories (retailing and medical-educational services) are characterized by relatively high ratios of total to full-time employment.

D. The Rise of Transfers as an Income Source

Traditionally, the vitality of metropolitan economies has depended upon the health of their export sectors. These sectors bring into the system streams of income which are at least partially spent and respent to provide employment in the local sector. Thus, a high level of local sector activity is regarded as being dependent upon a high level of export sector activity.

More recently, however, metropolitan economies have come to receive significantly large streams of dollars generated by transfers to personal incomes (social security, welfare, and pension funds) and by payments from non-local governments and not-for-profit institutions. Thus, the huge increases in employment in health and educational institutions, which have characterized more than two decades of our nation's history, have in large measure been made possible by payments from the state and federal governments.

Table 7. FULL AND PART-TIME EMPLOYEES VERSUS FULL-TIME EQUIVALENT EMPLOYEES FOR SELECTED INDUSTRIES, UNITED STATES, 1976

Industry	(1) Full-Time & Part-Time Employees (Thousands)	(2) Full-Time Equivalent Employees	(3) Ratio Col (1) / Col (2)
Manufacturing	19,008	18,480	1.03
Finance, Insurance and Real Estate	4,373	4,108	1.06
Retail Trade	13,373	10,816	1.24
Health and Educational	5,383	4,674	1.15
All Industries[a/]	86,614	76,728	1.13

a/ Includes industries not shown

The ratio shown in the last column conveys the relative importance of part-time work in each industry: higher ratios indicating a greater proportion of part-time employees. The highest ratios are for retail trade (1.24) and medical educational services (1.15), which are both components of the mainly services group.

SOURCE: The National Income and Product Accounts of the United States, 1929-74 and Survey of Current Business, July 1977.

These flows, then, must take their place alongside export-generated dollars as a source of income and employment for a city's residents. The lesson is that economic development calls for both the encouragement of the private export sector and the maximization of public and not-for-profit payments streams. The first is the most important, but the second is significant also.

In order to gain an appreciation of both the magnitude and changes over time in metropolitan income in forms other than wages and salaries, data on personal income for 38 metropolitan areas are presented in Table 8. Personal income is broken down by components and expressed in per capita terms to standardize for metropolitan areas of different size. Two years, 1969 and 1974, are shown for two groups of metropolitan areas--nodal and manufacturing. The per capita dollar amounts shown are means for the 16 nodal places and for 22 manufacturing places.

What is most striking in the table is the enormous growth in transfer payments. From 1969 to 1974, per capita transfer payments increased more than 100 percent in both nodal and manufacturing places. All the other components increased by well under 50 percent. Transfer payments' share of personal income consequently rose from about 7 percent to 11 percent. The share of private sector labor and proprietors' income declined about three percentage points.

The figures in Table 8 do not reveal the variation among metropolitan places. Among the 16 nodal places, 1974 transfer payments shares range from a low of 6.9 percent in Houston to a high of 13.4 percent in New York. Among the 22 manufacturing places, the range is from 9.0 percent (Wilmington) to 20.3 percent (Northeast Pennsylvania). Dividends, interest, and rent in nodal places range from a low of 11.2 percent in Charlotte-Gastonia to a high of 18.7 percent in New York. Among manufacturing places, Flint has the smallest share (11.0 percent) and Wilmington the highest (15.7 percent).

How variable are the income components among places? Do the non-wage salary components tend to reduce or increase the variation in per capita income? Does the variation among places increase or diminish over time?

Table 8. COMPONENTS OF PER CAPITA PERSONAL INCOME IN 16 NODAL AND 22 MANUFACTURING METROPOLITAN AREAS

		Net Labor and Proprietors Income Exclude Federal	Transfer Payments	Dividends Interest and Rent	Fed. Government Civil & Military Wages and Salaries	Total Personal Income
1969						
Amount[a/]	Nodal	$2,997	$ 313	$ 584	$ 181	$4,075
		(0.122)	(0.247)	(0.213)	(0.508)	(0.118)
	Manufacturing	$3,073	$ 313	$ 548	$ 126	$4,061
		(0.106)	(0.130)	(0.176)	(0.751)	(0.086)
Share (%)	Nodal	73.5	7.7	14.3	4.4	100.0
	Manufacturing	75.7	7.7	13.5	3.1	100.0
1974						
Amount[a/]	Nodal	$4,203	$ 634	$ 868	$ 230	$5,935
		(0.107)	(0.221)	(0.186)	(0.479)	(0.095)
	Manufacturing	$4,202	$ 655	$ 783	$ 173	$5,935
		(0.100)	(0.142)	(0.149)	(0.702)	(0.071)
Share (%)	Nodal	70.8	10.7	14.6	3.9	100.0
	Manufacturing	72.3	11.3	13.5	3.0	100.0
1969-1974 Percent Change	Nodal	40.2	102.6	48.6	27.0	45.6
	Manufacturing	36.7	109.3	42.9	37.3	43.1

a/ Dollar amounts are averages. Figures shown in parentheses represent coefficients of variation.

SOURCE: Personal Income of SMSA's and BEA Areas, 1969-1974, Bureau of Economic Analysis, U. S. Department of Commerce.

The figures in Table 8 shed some light on these questions. Included are coefficients of variation (i.e., standard deviation/mean) which measure relative variation, for each of the five income components, for both years, and for both nodal and manufacturing places. These figures show that there is not a great deal of variation among places in the major component of per capita personal income--private sector labor and proprietors' income. The federal wage component, however, shows strong variation, particularly among manufacturing places. Transfer payments and dividends, interest and rent also show considerable variation. This is particularly true in nodal places and for transfer payments.

The figures also suggest that the nonwage components tend to reduce the income variation among places. In both years and in both groups of places, the personal income coefficients of variation are slightly smaller than the coefficients of the major component--private sector labor and proprietors' income. Over time, every component shows a slight decline in its coefficient of variation, with the exception of transfer payments, which rises slightly in manufacturing places.

There are important implications for economic development policy in these trends in income inflows. The combined shares of transfers plus dividends, interest, and rent comprise well over a fifth of personal income. Admittedly, some part of the transfers are a burden on the local economy as well as a boost since part of such transfer income is raised locally. Nevertheless, when a metropolitan economy loses households which derive their income from social security, pensions, and/or dividends, interest and rent, it is very much like losing export sector jobs. Traditionally, economic development strategy has not focused on such households. But it is highly desirable to do so. Appropriate housing and amenities for the middle-class elderly could well be more important than industrial parks for shoring up many urban economies.

E. The Interdependence of City and Suburb

Urban economic theory suggests that there are important forces working to decentralize employment and, in fact, during the post-war years growth in employment and population within most metropolitan areas has occurred largely outside the boundaries of central cities. Consequently, a painful transformation is occurring in the central city with very substantial declines taking place in the manufacturing export sector and less than compensating gains occurring in business services. In many central cities, local sector gains occur only in health and education services, largely in the not-for-profit public sector. The private sector local services sector (retailing, recreation, and private household services) has declined significantly.

But the shift of jobs to the suburbs has not fully matched the shift of residents to the suburbs in spite of the high rates of suburban employment growth. To the contrary, the era of suburbanization has been an era of conversion from blue-collar to white-collar professional and clerical employment in the city, with a majority of these new jobs being taken by suburb-to-city commuters. In an earlier study we estimated that, on average, wages and salaries of commuters (the "hidden export base" of the suburbs referred to earlier) accounted for 39 percent of total earnings of suburban residents.5/ When due consideration was given to multiplier effects (i.e., to local sector employment created by this purchasing power), commuter incomes accounted for, directly and indirectly, two-thirds of total suburban earnings.

Clearly, there is a major dependency of the suburbs on central cities as a result of these commuter earnings. But there are other ways in which suburbs are dependent. Current studies in the New York area suggest that headquarters and other activities located in the suburbs depend on the central city for advertising, financial, consulting, legal, and a vast array of other business

5/ Thomas M. Stanback, Jr. and Richard V. Knight, Suburbanization and the City, (Montclair, N. J., Allenheld, Osmund and Co. Publishers, Inc., 1976), p. 94.

services. The larger firms often split their functions, maintaining in the central city those activities which require close contact with CBD services and customers while relocating the remainder in the suburbs. The city remains the place where face-to-face communication is maximized, where meetings and luncheon contacts are most easily arranged, where cultural opportunities and other amenities are richest.

Yet the suburbs do not stand in a purely parasitical role relative to the city. If these areas are dependent upon the city, the city is also dependent upon them. It is the suburbs to which the city must look for the majority of its professionals and executives, and it is the amenities of suburban living that make it possible for city-based activities to recruit much of their key personnel. Given current life style preferences of a large number of Americans and the continued importance of the automobile, the two areas must be regarded as existing in close symbiosis. This is an observation of considerable importance: cities and suburbs that seek to cut themselves off from each other do so at their own peril. Lack of cooperation in providing transportation or other urban services will retard efficient function.

The existence of municipal boundaries separating city from suburb is at the heart of the difficulty, of course, and in the new cities of the West and Southwest (e.g., Houston and Phoenix) easy annexation has sharply reduced the problems facing the city. Moreover, where metro type government has been instituted for at least some municipal functions (e.g., Minneapolis, Minnesota and Jackson County, Florida), issues of economic development are more readily dealt with. Cities will thus vary in terms of the problems created by suburban growth. An important conclusion is that the effort toward regionalization of metropolitan functions is an important aspect of urban economic development policy.

But the far more important and overriding conclusion to be drawn from the trend to suburbanization is that a large number of the American people have shown a strong preference for decentralized living and working. It is this strong preference that stands as perhaps the major challenge to those who seek to redevelop the central city. To be sure, continued decentralization may be expected to encounter sharp constraints in the years ahead--from energy scarcity, from rising suburban

costs of business operations (both energy related and non-energy related), housing and transport, and from an increased resistance to further growth and congestion on the part of those already residing in suburban areas. Nevertheless, the preference is real and--unless the alternatives can be made more attractive--stands as an obstacle to recreating cities as viable, vital economic, social, and cultural centers.

F. The Divergent Impacts of Demographic Trends

The post-war years have been marked by vigorous regional and intrametropolitan population shifts, and more recently by a marked trend toward growth in non-metropolitan areas. But these trends do not apply uniformly in all areas and have affected the fortunes of individual metropolitan areas in widely differing ways. It is these divergent impacts of national trends which are of greatest significance for economic development policy.

Regional shifts have received the greatest attention, generally in the form of growing concern over the rise of the Sunbelt and the decline of the Northeast. Briefly stated, regional trends in population and employment have favored the Southeast, West, and Mountain states. Regional differences in growth rates which emerged in the sixties and earlier have tended to persist in the seventies. Among the SMSAs with less than three million population, Florida's metropolitan areas continue to rank first in growth, the West's second, those within South Atlantic states (including Florida) and South Central states follow, and those within the Northeast and North Central states are last. Among the regions less favored since 1970, only the Far West had previously been an area of high growth during most of the post-war period.

But regional shifts only sketch the general outcome of more diverse trends in migration and natural increase which have been at work. These trends have affected some SMSAs more than others. Table 9 shows rates of population change, natural increase, and net migration for metropolitan areas classified by size and regional groupings.

Table 9. POPULATION CHANGE AND COMPONENTS OF CHANGE FOR SELECTED GROUPS OF METROPOLITAN AND NONMETROPOLITAN COUNTIES 1960-1970 AND 1970-1973 (AT ANNUAL RATES)

	Population Change		Natural Increase		Net Migration	
	1970-73 %	1960-70 %	1970-73 %	1960-70 %	1970-73 %	1960-70 %
United States	0.98	1.25	0.74	1.10	0.25	0.17
Inside SMSA's[a]	0.87	1.58	0.77	1.16	0.10	0.47
Metropolitan Areas over 1,000,000[b]	0.61	1.67	0.70	1.11	-0.09	0.62
Metropolitan Areas over 3,000,000[b]	0.30	1.53	0.67	1.08	-0.37	0.49
New York	-0.08	0.99	0.48	0.86	-0.57	0.14
Los Angeles	0.45	2.53	0.81	1.29	-0.37	1.40
Chicago	0.31	1.14	0.81	1.16	-0.51	-0.03
Philadelphia	0.14	1.14	0.54	0.97	-0.41	0.18
Detroit	0.14	1.25	0.88	1.23	-0.96	0.02
San Francisco	0.83	2.36	0.67	1.20	0.16	1.30
Boston	0.60	1.00	0.48	0.91	0.12	0.09
Washington, D. C.	1.36	3.28	1.01	1.70	0.36	1.85
Metropolitan Areas of 1-3,000,000[b]	1.10	1.90	0.76	1.16	0.35	0.82
Northeast	-0.26	0.10	0.34	0.75	-0.60	-0.70
North Central	0.11	1.30	0.78	1.19	-0.68	0.13
Florida	3.88	3.59	0.22	0.63	3.69	3.13
Other South Atlantic	1.37	2.13	0.84	1.29	0.63	0.91
South Central[c]	1.35	2.76	1.13	1.49	0.23	1.46
West	2.02	2.74	0.83	1.26	1.23	0.69
Other SMSAs	1.25	1.44	0.87	1.23	0.39	0.24
Northeast	0.67	1.12	0.54	0.88	0.14	0.26
North Central	0.66	1.19	0.84	1.19	-0.19	0.00
Florida	3.58	3.06	0.74	1.28	2.91	1.99
Other South Atlantic	0.99	1.52	0.96	1.35	0.03	0.20
South Central[c]	1.54	1.22	1.07	1.40	0.48	-0.21
West	2.21	2.34	1.09	1.48	1.16	0.99

See footnotes at the end of table

Continued next page

Table 9. POPULATION CHANGE AND COMPONENTS OF CHANGE FOR SELECTED GROUPS OF METROPOLITAN AND NONMETROPOLITAN COUNTIES 1960-1970 AND 1970-1973 (AT ANNUAL RATES) (CONTINUED)

	Population Change		Natural Increase		Net Migration	
	1970-73 %	1960-70 %	1970-73 %	1960-70 %	1970-73 %	1960-70 %
Outside SMSA's	1.27	0.42	0.65	0.95	0.64	-0.58
Counties (171) with 20% or more commuters to SMSA's	1.94	1.02	0.59	0.87	1.38	0.17
Counties (315) with 10-19% commuters to SMSA's	1.34	0.71	0.60	0.88	0.76	-0.19
Other Counties	1.20	0.30	0.66	0.98	0.55	-0.75
Northeast	1.23	0.51	0.56	0.83	0.70	-0.35
North Central	0.91	0.14	0.45	0.75	0.47	-0.66
Florida	3.81	2.18	0.79	1.26	3.05	1.03
Other South Atlantic	0.98	0.23	0.81	1.13	0.18	-1.02
South Central[c/]	0.93	0.01	0.69	1.04	0.24	-1.16
West	2.06	0.88	0.93	1.24	1.16	-0.42

a/ SMSA's as defined by OMB as of December 31, 1974, except in New England, where definitions in terms of entire counties have been substituted.

b/ Reflects certain combinations of SMSA's. Population size groups are as of 1973.

c/ Comprises East South Central and West South Central divisions.

SOURCE: Adapted from Exhibit 6, "The Natural Setting: Regional Shifts, Metropolitan Decline, and Urban Decay," by V. P. Barabba, from Post-Industrial America: Metropolitan Decline and Inter-Regional Job Shifts, edited by G. Sternlieb and J. W. Hughes.

Three trends are evident in the data: (1) Rates of natural increase have tended to decline everywhere since 1970. (2) Migration rates have tended to change sharply since 1970, falling precipitously (frequently changing from in-migration to out-migration) in some places, rising in others. (3) A new trend favoring nonmetropolitan growth has been under way since 1970.

The net effect of changes in rates of natural increase and migration in metropolitan areas has varied greatly. In most of the largest SMSAs (over 3,000,000 population) the result has been a virtual cessation of growth if not an onset of decline. For remaining metropolitan areas there has tended to be a slowing up of growth.

The shift toward nonmetropolitan growth needs to be put into proper perspective. In the first place, it is significantly large and represents an authentic change--something more than simply a population expansion in counties soon to be incorporated into standard metropolitan areas. From 1970-73 nonmetropolitan population growth was 2,293,000--well over one-third of total population increase in the nation; although rates of increase were higher for counties with 20 percent or more commuters to SMSAs, they were not greatly different between counties with 10-19 percent commuters and all other nonmetropolitan counties. Moreover, growth rates in nonmetropolitan counties with less than 10 percent commuters were higher in 1970-73 than in 1960-70 in every region.

Peter Morrison has examined recent migrations to nonmetropolitan areas and has concluded that such shifts arise from three principal sources:6/ (1) A new form of urbanization made possible by advances in transportation and technology and communications. Firms are increasingly finding it feasible to locate outside metropolitan areas. (2) New settlement patterns are oriented not to jobs but to retirement and recreation.

6/ Peter A. Morrison with Judith P. Wheeler, "Rural Renaissance in America? The Revival of Population Growth in Remote Areas," Population Bulletin, Vol. 31, No. 3 (Population Reference Bureau, Inc., Washington, D. C., 1976).

Trends toward early retirement and toward larger retirement and death benefits for more people have opened up opportunities for development of retirement communities. At the same time, greater affluence and increased popularity of leisure activity has signalled rapid growth for resort type places. (3) The changing energy outlook has brought increased demand for exploration of coal and oil resources, spawning new growth in hereto out-of-the-way places.

IV. ECONOMIC DEVELOPMENT IN PERSPECTIVE CONSTRAINTS AND OPPORTUNITIES

It remains in this final chapter to focus on the task of urban economic development. This is done, first, by highlighting the key observations flowing out of the previous discussion; second, by examining certain adjustment and stabilization mechanisms as well as sources of renewal within the city; and finally, by observing certain implications for developmental strategies.

A. Some Key Observations

The preceding analysis serves to illuminate the constraints and opportunities that comprise the environment within which urban economic development may take place. The following are key observations:

First, the well-being of a city's economy rests primarily on the continued vitality of its export sector. Growth and development of the local sector are dependent on increased productivity and income within the export sector. Encouragement of a more attractive and efficient local sector may, of course, serve to spark export sector development and thus overall economic improvement, but local sector development alone holds little promise for offsetting a decline in export sector activity.

Second, the much touted growth of services may not be regarded uncritically as a major source of growth for all cities. Individual service firms, like all other activities, are part of either the city's local sector or its export sector. It is local sector services which have provided the major source of employment growth in the service sector. This growth has occurred in virtually all places as a result of generally higher incomes and consumer spending and of special state and federal funding for health care and educational services. Export type services, however, are provided primarily only in certain types of places. National and regional centers--nodal places--specialize in providing a variety of associated business, cultural, and highly specialized consumer services for hinterland

markets of varying size; a limited number of other places are specialized in exporting resort-recreational, health, educational, or governmental services. There is considerable evidence that these nodal and specialized service metropolises have preempted many of the major opportunities for development as service centers. For other places, the search for developmental opportunities through services must very likely be focused on reaching out for the less specialized and more footloose corporate, institutional and governmental functions that can be split off from regional and national service centers.

Third, powerful forces of decentralization have been released in recent decades, principally as a result of the increasing importance of automotive transportation, but also because of higher incomes, housing policy, and a variety of other factors. Residential, trade, manufacturing and other functions have been steadily shifted from central city to suburbs, although certain headquarters, business service and cultural-recreational functions have tended to hold fast in the central cities of nodal places. In addition to suburbanization, there has been a significant trend toward nonmetropolitan growth since 1970.

It is important to note that these movements represent not only shifts in location but the building of new physical structures which are often more suitable to modern technology and transportation arrangements. Thus central city facilities are often old and located where congestion is heavy and parking facilities limited, whereas suburban facilities are typically more spacious, efficient, and better suited to an auto-using public.

Fourth, major regional shifts have been occurring which have favored the South and West. In faster growing areas, metropolitan areas of all types have tended to prosper, whereas in declining or slow growing areas metropolitan areas have done less well. Within this general framework, cities have generally fared less well than outlying areas.

As in the case of suburbanization, the process of regional shift has involved putting in place more modern and often technologically more suitable facilities than are found in the less favored areas, rendering the older cities less competitive.

Thus the current outlook for economic development varies among cities as a result of several sets of forces. Old cities built on a tight grid pattern prior to the automobile age and enjoying no opportunities to annex contiguous areas are typically experiencing a greater loss of tax base than are newer cities with looser spatial organization and greater opportunities to enlarge political boundaries. Nodal places, wherever located, tend to be less narrowly specialized and, accordingly, more generally influenced by economic conditions within the area they serve. In declining areas it is unlikely that they will enjoy a high prosperity but, nevertheless, they will probably be less vulnerable to negative factors than are cities highly specialized in manufacturing activities.

If developmental opportunities vary among cities, developmental strategies must also vary. The major lesson is that developmental strategy must reflect sensitively the special problems, limitations, and opportunities of the individual place.

B. Adjustment and Stabilization Mechanisms and Possible Sources of Renewal

There is a widespread recognition that the forces of change have been running heavily against the older cities of the North, East, and Great Lakes and in favor of those of the South and West. Yet it is most unlikely that these great concentrations of populations are to be emptied out in spite of currently adverse streams of migration. Not only would such massive transfers involve intolerable social and economic costs, but we know intuitively that there are counteracting forces which tend to hold such total transformations in check.

What then are the adjustment and stabilization mechanisms and possible sources of renewal which are at work? At least three seem readily identifiable: cost-price adjustments; agglomeration linkages; relative immobility of human, cultural and fixed capital resources.

1. Cost-Price Adjustments

In the earlier discussion of tendencies toward decentralization, we observed that there is a tug-of-war between decreasing and increasing costs. Growth processes involve forces of agglomeration arising out of larger market size and economies of scale, but they also involve diseconomies--rising rents, costs of congestion, rising labor costs. Conversely, when growth turns to decline, weakness in the city may be reflected in lower rentals (New York City office rentals have declined relative to those of the suburbs) and weakening pressures for higher wages (especially in the public sector). Such developments are, at least, of some assistance in permitting the city to move toward stabilization.

At the same time, in the growing suburbs countervailing factors assert themselves. Land costs rise, congestion and pollution increase, the variety of public services demanded becomes greater and the burden of taxes heavier. All of these act to place constraints upon suburban growth. In addition, they set in motion social forces which may be even more important than economic ones in reducing suburban expansion. Whereas, in earlier days suburban governments were responsive to developers who promised tax rateables and to the political attractions of an expanding economy; today the voice of the citizen who demands a restriction of growth and the preservation of a suburban way of life is increasingly the louder. Zoning restrictions as well as building costs act to restrict settlement by other families or firms.

Similar forces are at work where cities of the now-favored regions of the South and West are growing rapidly. Although wages and costs of living remain substantially higher in the more fully industrialized regions, the differentials are being steadily whittled away.

2. Agglomeration Linkages

Of great importance is the extent to which firms are currently clustered near one another to take advantage of the lower costs incident to being close to

supplier, customer, or to a variety of regional transport, business and financial services. Such clustering increases the capacity of a region to withstand competition from other areas. Agglomeration economies tend to hold urban systems together.

The large conurbations of the Northeast and Middlewest are, to a significant extent, examples of this agglomeration; "megapolis" is but another name for interdependence. Taken together these great conurbations represent massive markets and as such are systems with significant closure. If each urban economy loses dollar flows to others by purchase of certain goods and services, it is likely to gain by its sales to them in return. This means that these heavily populated areas are less likely to be dismantled by regional shifts than would otherwise be the case. If growth is confined to newly developing areas, they may well experience significant out-migration of firms and residents, but it is highly unlikely that this will bring about sharp decline in total population and employment since sheer size provides considerable stability in both markets and labor force. A more likely scenario is differentially higher unemployment and a failure of per capita income to rise in step with the nation.

More specifically, much has been said of the loss of employment by manufacturers in the older industrial areas who produce such goods as apparel and textiles, and, clearly, such losses have been a serious blow to those urban economies. But there are a number of manufacturing activities that are more market-oriented and should provide an element of stability to manufacturing sectors within regional conurbations. Just how large such activity is and how resistant to erosion is unfortunately a matter which has had little study.

At the same time, the interdependence within large systems means that where linkages are damaged by regional migration of firms the entire regional system is rendered less competitive. The competitive position of city, suburb, and region are closely related. Thus developmental policy must include recognition of the need for intra-regional cooperation. Each city within an area cannot proceed single-handedly if all are to maximize the effectiveness of their efforts.

3. Relative Immobility of Human, Cultural and Fixed Capital Resources

Finally, the stability of large urban systems is in large measure guaranteed by the relatively immobile nature of its human, cultural and capital resources. Metropolitan economies represent large pools of skilled labor and professional talent, rich cultural endowments, and specialized educational and health service institutions, as well as massive fixed assets in the forms of transportation systems and physical facilities. It is these which comprise the basic assets for redevelopment.

At the same time, these assets exist alongside aging and obsolete structures in a spatial organization that may have been rational in an earlier day, but is now quite inefficient. It is the challenge of development policy to retain and utilize valuable assets while rebuilding or renewing that which is counterproductive. How to do this under conditions in which the incentive to invest is low in the private sector and public funds are in short supply is, of course, the critical issue.

Wilbur Thompson has argued that "unloading" of residents from the crumbling and dysfunction areas of the inner city is essential for its renewal.7/ His view is essentially optimistic: if through the outward filtering of housing and the migration process the decaying areas of the inner city can be cleared away and modernized, the city will find a new stability. Not only are the older cities' assets great, but, he argues, the city represents the point of maximum accessibility within the metropolitan area and, frequently, the point of greatest natural attractiveness since its historical origin so often rests upon its position on a harbor, river, or spot of scenic beauty.

7/ Wilbur Thompson, "Economic Processes and Employment Problems in Declining Metropolitan Areas," Post-Industrial America: Metropolitan Decline and Inter-Regional Job Shifts, ed. by George Sternlieb and James W. Hughes (New Brunswick, N. J., Center for Urban Research, 1976), p. 192.

This is a cogent argument. Already through urban renewal processes most of the CBD's of major cities have been rebuilt, and there can be little doubt that they have comprised the greatest source of defensive strength for cities threatened by decentralization. But the remainder of the clearing-out process remains, and it is costly and time-consuming. The strategy must be one of patience and planning. Patience, since the unloading is likely to be slow and painful and resources for rebuilding are limited; planning, since the nature of the new city which is to emerge and the sequence of events necessary for realization must be carefully mapped.

C. Implications for Developmental Policy

In the face of these constraints and opportunities, what implications are to be found for developmental policy? The following approaches are of strategic importance:

1. Getting the Export Base in Focus

Developmental policy must begin with determining the comparative strengths of the city. As has been shown, cities vary in terms of the composition of exports of goods and services. Their advantages may stem from any of a number (and usually a combination) of factors: favorable location in terms of natural resources; a traditional role of servicing a hinterland market which has resulted in the development over time of human, institutional and cultural resources; a seasoned, adaptable, and productive work force.

Although there is evidence that the system of national and regional service centers seems well on the way toward being established, the entire system of metropolitan places is nevertheless very much in flux. To an important extent cities are in competition. They are in competition with their suburbs for certain functions but also in competition with other cities. In headquarters and other office activities, for example, New York must compete not simply with its suburbs but also with Chicago, Atlanta, Houston, and other regional centers. Cleveland, as a host to manufacturing plants, must compete with suburban areas, with outlying non-metropolitan counties, and with certain southern or western counties.

Development strategy, then, must focus on making the city competitive by maximizing its relative advantages. Corporate enterprises make use of various combinations of resources, and the city must determine what mix of attractions it can best provide. Thus for some firms labor inputs are small and labor costs of relatively little importance, but access to professional services is critical; for others, access to air transport will rate very high; for still others, a good water supply or proximity to markets. In seeking to compete, cities' strengths will vary widely. For example, Milwaukee can hardly offer the climatic attractions of the sun belt, but its port and its freight rates to the rich markets of the Middlewest and East Coast are attractive for the manufacture of many products. New York, for all its troubles, is the major gateway to the international markets and the world's largest center of sophisticated business services.

What needs to be stressed is that the requirements of corporate enterprise are changing rapidly and corporate location options are broadening, at least for many functions. This means that many firms are more footloose, less bound either to natural resources or to major centers than was true a quarter century ago. It means, accordingly, that locations of many corporate functions are (or will be) "up for grabs." Back office, sales, credit and distribution facilities no longer need to be located close to central headquarters or even within a nodal type metropolitan area.

Accordingly, it is important to avoid two major errors. The first is the "worst first" approach. The second is the error of "inappropriate effort"--seeking to build strengths in areas where there are few comparative advantages.

The "worst first" approach--an attempt to shore up sick industries--typically starts with the premise that the poor need blue-collar jobs and manufacturing must therefore be induced at any cost to remain or to locate. But if the city has lost its advantage as a center for certain manufacturers, strong action to hold or bring in such firms may simply involve throwing good money after bad. This is not to say that certain types of manufacturing cannot logically be encouraged, for firms vary. But the mindless search for blue-collar jobs in lieu of careful analysis of relative locational strengths comprises a logical fallacy and a dangerous misuse of resources.

The error of inappropriate effort often finds its source in uncritical emulation of successful programs of other cities. City A has enjoyed increasing patronage as a convention center as a result of its recently built convention hall and hotel complex. City B decides to follow a similar course in spite of the fact that it is seriously lacking in the infrastructure of cultural and recreational facilities (including museums, theatres and restaurants) which City A possesses. Here, again, the point to stress is the need for a careful analysis. What are the city's greatest strengths? What are its best resources in manpower, physical and transportation facilities, natural amenities?

2. Looking for Linkages

An important lesson of the earlier analysis is that a strong export base is linked to a variety of institutions and to transportation and housing facilities as well. Thus a regional service center may hope to draw regional corporate headquarters or distribution activities and governmental offices, but its competitive edge will be closely related to (among other things) airport facilities and the availability of first-rate medical and educational institutions. At the heart of the process of making a service center work is the recruiting and holding of professional, executive and technical personnel and maintaining easy and effective communication with the outside world.

Service linkages of one sort or another are increasingly important everywhere. The manufacturing center may not hope to cultivate a convention center but will need first-rate technical training schools, recreational centers, and efficient fire and police services if it is to attract new firms.

3. Avoiding Demographic and Economic Surprises

As noted earlier, the composition of demand for public services will be strongly influenced by demographic structure. Moreover, age composition may change rather radically over a short span of years. A city may find itself suddenly faced with a heavy demand for housing if an abnormally large cohort of dependent young adults moves abruptly into the years of independence and family formation.

City leadership must forecast change to the extent possible, and failing that, must at least meet the present with understanding. Demographic changes bring demands for a wide range of new public services and the need for reducing effort on old programs. Simple extrapolations of recent developments may prove highly inaccurate and costly not only by misdirecting tax dollars, but also by interrupting the sequence of economic development by which the city protects and enhances its competitive position.

A different but equally important source of short-term change may arise from cyclical fluctuations in the economy. Cities and states, like specific industries, may experience sharp improvement in economic conditions during periods of general prosperity and sharp deterioration during recession. Where city leadership fails to recognize why improvement or deterioration in retail sales, business formation and tax receipts occur, it may be trapped into taking unsound positions. A city that is experiencing loss in manufacturing employment due to unfavorable shifts may find such losses suddenly turning into gains as a result of nation-wide economic prosperity. Such a reversal may cause an untimely and ill-conceived retreat from a program designed to lead to development of a more diversified and less vulnerable economic base. The recession which follows upon the heels of the boom will find such a city dangerously unprepared.

4. Getting a Line on Manpower Requirements

Closely related but even more extensive than the growth of services is the increase of employment in so-called white-collar occupations. This rapid overall growth represents changes in a wide variety of jobs ranging from the most highly trained professional worker to the relatively unskilled file clerk. A study of ten major metropolitan areas found that white-collar employment accounted for 94 percent of all job increases and less than a third of job decreases in cities during the sixties.8/ Job increases occurred principally in occupations classified as professional-technical and clerical. Moreover, more than two-thirds of city job increases were accounted for by females, whereas in the suburbs less than 46 percent were accounted for by females.

8/ Stanback and Knight, Suburbanization and the City, op. cit. pp. 84-85, 88.

The implication for city development policy is that in an era of rapidly changing skill requirements opportunities for competitive advantage arise out of careful attention to improving manpower training and labor market information. The task is first to provide an appropriate education to equip the worker to function effectively in an office-type work environment; second, to make arrangements through the public and private sectors for upgrading and "retooling" so that each individual has opportunities to enhance skill and knowledge; and finally, to provide maximum access to labor market information to both employers and employees.

There is a second implication that arises out of the rapid increase in female employment. The postwar years have seen a very rapid rise in the percent of women in the labor force--from 29 percent in 1950 to 40 percent in 1976. Behind this change lies an increased proportion of female-labeled jobs, an increased willingness to seek employment, later marriage and fewer children.

While the final result of this combination is not clear, it may well work out to favor the city. Female employment is typically higher in the city, especially female employment in the more desirable professional jobs. A strong case can be made that a larger number of well-educated young couples will choose to settle in the city where both members of the household can find employment more readily. Moreover, these young couples are finding single-family housing in the suburbs to be out of the range of their budgets, and accordingly, may be expected to accept more readily the multi-family housing of the city. Such a trend, of course, runs counter to recent tendencies toward non-metropolitan growth, but this is an era of multiple transformations. Great stress is being given to the issue of options. The new generation seeks opportunities to choose life styles. It is not illogical that popularity for both central city and non-metropolitan ways of life may exist side by side.

5. Maximizing Other Income Flows

Finally, it is of critical importance that city leadership recognizes that the combined share of transfers plus dividends, interest and rent may well

account for a fourth or more of personal income within a metropolitan area. This means that developmental policy must be multifocused. Not only must strategy be directed toward the growth and upgrading of the economy, but also it must seek to maximize the stream of income flows from sources other than the export sector. Maximizing property and retirement incomes will require a more vigorous attention to the amenities and facilities which encourage residence of middle- and high-income persons, including retirees, whose spending will increase local sector demand. Such encouragement involves a greater emphasis on middle and upper income housing, and on development of cultural, retirement, and health care institutions combined with a vigorous effort to reduce crime. On the other hand, maximizing transfer income from higher levels of government involves a sophisticated knowledge not only of what programs are available and appropriate to the city's economy, but of how to deal effectively with higher governmental levels to assure that funds are attained promptly and to the fullest extent justified under existing legislation.

D. Summing Up: Leverage Points

The foregoing analysis indicates that cities everywhere are involved in constantly adjusting to one or more of three major sets of economic forces: (1) A transformation in the industrial composition of economic activity and the occupational composition of employment. (2) A shift in economic activity within the metropolitan area as a result of suburbanization. (3) A shift in economic activity involving rapid growth in the South and West, declines or retarded growth in the Northeast and Midwest, and a tendency for non-metropolitan growth rates to rise in all regions.

The impacts of these forces will vary from place to place and this fact stands among others to suggest that the problems facing local leadership will range rather widely and that developmental strategy must differ. Although metropolitan areas vary in terms of the functions for which they are best equipped and although their opportunities vary, cities are nevertheless competing, and competing under conditions of rapid

change. Economic development requires a recognition of changes in critical needs which are taking place--a new set of priorities in terms of manpower requirements, environmental and public institutions, transportation, relationships with suburban governments, and, to some degree, housing.

To the extent that cities must reorient to a services base, they require a workforce that is adept in the performance of clerical, managerial, and professional tasks. They must place a heavier emphasis on moving people. Their firms will find a greater need to recruit personnel from distant points and a need to offer not only competitive salaries but the attraction of cultural, recreational, and educational amenities plus good housing and the assurance of a well-governed city.

It follows that the critical requirements of development policy for a service-based economy are largely removed from older approaches involving simply tax incentives for industrial firms (although such approaches may be applicable under some circumstances). In the main, they involve:

--In manpower: a greater premium on general education, on literacy and clerical skills, coupled with a need for higher level technical and professional training.

--In public institutions, environment, and general ambiance: a new demand for recreational, cultural, and other facilities appropriate to the city's potentialities for development.

--In transportation: an emphasis which will in many instances focus on airport facilities and will typically call for a recognition of the strategic importance of ready access to the residential areas of the suburbs. In spite of the continuing problem of city-suburb competition, the need to draw on these residential areas is critical.

--In government: a new emphasis on cooperation with suburban governments to the maximum possible extent, approached by a continuing effort to bring about realization of the critical interdependence of suburbs and city. At the same time, there must be a closer coordination with state and federal governments to further regional economic welfare.

--In housing: a recognition of the needs arising out of changing demographic structure (larger shares of young adults and older persons), low birthrates and small families, and a new insistence by women on the right to equality in the world of work. Given appropriate housing and reasonably safe and attractive surroundings in the city, these factors could bring about important shifts of middle-income families to the city.

In facing the tasks of economic development, city leadership is not without certain useful tools. It maintains considerable control over the educational system, exercises strong zoning powers as well as operational control over sewage and garbage disposal and environmental safeguards (critical areas for future union with suburban municipalities). Above all, it operates the city budget and has authority to determine public investment expenditures.

The principal issue, then, is one of priorities. How does local leadership with limited funds and managerial talent maximize the results of money and time spent? The cities which have the least to spend have the greatest need for development effort. Emphasis must be given, first, to understanding the developmental process and the city's place within the national hierarchy. From this can flow a set of objectives and priorities leading to a program which offers maximum opportunity for success.

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APPENDIX

CHAIRMAN'S MEMORANDUM TO MEMBERS OF THE NATIONAL COMMISSION FOR MANPOWER POLICY

NATIONAL COMMISSION FOR MANPOWER POLICY

June 3, 1977

Eli Ginzberg
Chairman

Secretary of Defense
Secretary of Agriculture
Secretary of Commerce
Secretary of Labor
Secretary of Health, Education, and Welfare
Administrator of Veterans Affairs
Timothy A. Barrow
Rudolph A. Cervantes
Dorothy Ford
John V. N. Klein
[redacted]
John H. Lyons
William G. Milliken
John W. Porter
Milton L. Rock
Leon H. Sullivan

[redacted]
Director

MEMORANDUM FOR MEMBERS OF THE NATIONAL COMMISSION FOR MANPOWER POLICY

SUBJECT: The Employment Implications of the Changing Urban Economic Base

1. The attached paper was prepared by Professors Stanback and Drennan of New York University and members of the Conservation of Human Resources Project, Columbia University which I direct. It grew out of a grant from HUD to the Conservation Project.

2. In early April, I met with the Assistant Secretaries of Labor, Commerce, HUD (Green, Hall, Shalala) and the Executive Assistant to the Secretary of Treasury (Hessler) for a preliminary exploration of the above subject. Shortly thereafter, a copy of the attached paper was distributed to each. Since that time, the Administration has established a task force to explore the common concerns of the above agencies in the urban situation and to determine where and how they might act in concert to bring about more far-reaching results.

3. At the next meeting of the Commission on June 24th the three Assistant Secretaries listed above will make brief presentations on this subject to the Commission.

4. By way of orientation I am noting below some of the points raised in the attached paper that speak directly to issues that are of concern to the Commission:

-----A more literate and trainable work force will facilitate a city's economic development.

-----The importance of a favorable urban milieu for holding and attracting professional and managerial personnel is a cornerstone of continuing economic progress.

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-----Nodal centers, the name for a diversified city that exports a wide range of services to the hinterland (Atlanta, Phoenix, New York), will, because of a more diversified and skilled labor force (as well as other favorable elements), be in a better position to expand than a manufacturing city such as Detroit or Schenectady.

-----One way that an urban economy can grow is through improved productivity of its labor force.

-----Transfer payments (which also include government expenditures for manpower services) can help stimulate a local economy.

-----The rise in wage and other costs can be detrimental to the continued growth of a city.

-----The influence of the changing age structure of the population affects cities differentially and must be taken into account in assessing their future.

-----There are striking differences between the labor forces of rapidly growing and declining cities with the former having a younger and better trained labor force as a consequence of migration.

-----While some of the old manufacturing cities in the Northeast have been able to shift more into business services (Boston) the principal manufacturing places in the Midwest are still predominantly in goods production (Detroit, Cleveland, Akron).

-----Manufacturing is a declining proportion of all SMSA employment. Government plus business and consumer services account for 2/3 of all SMSA employment and they accounted for 80 percent of all job increase in the 1960's.

-----There has been a large increase in local services but this comes about only through gains in productivity, exports, or governmental transfer income.

-----The rapid growth of local service jobs has usually been centered in areas of relatively low wages and less than full-time employment.

-----Between 1969 and 1974 per capita transfer payments increased more than 100 percent but they represent significantly different proportions of total income from a low of 6.9 percent in Houston to 13.4 percent in New York.

-----Cities must be concerned about losing families with transfer incomes. They confront problems similar to losing jobs.

-----While jobs followed people to the suburbs about 2/3 of suburban income originates in the city when allowance is made for the multiplier effect.

-----The largest (over 3 million population) metropolitan centers have ceased to grow and a new shift to non-metropolitan growth is underway.

-----The stability of a large urban system depends in part on the immobility of its resources, including its human resources.

-----Urban development policy depends in large measure on having available or attracting a "seasoned, adaptable and productive work force."

-----The "worst first" approach must be avoided such as cities' seeking to hold on to blue collar jobs for the poor. Equally to be shunned is "the error of inappropriate effort" which means uncritically imitating what some other city has done without reference to local resources and opportunities.

-----City development policy must get a line on manpower requirements. In the 1960's, 90 percent of all job increases and less than a third of job decreases in 10 SMSA's were centered in white collar employment with most of the gains in professional, technical, clerical. Two-thirds of the city job increases were accounted for by females; in the suburbs this was true for only 46 percent.

-----City development policy must pay close attention to improving manpower training and labor market information.

-----With all transfer payments accounting for about one-quarter of total urban income, it would be wrong to concentrate exclusively on job creation.

-----The keys to urban development policy are:

Manpower - more emphasis on general education and professional and technical skills.

Environment - an attractive milieu involving cultural, recreational, etc.

Transportation - critical role of suburban-city access and airports for ease of managerial travel.

Government - new linkages between city and suburb; and improved intergovernmental relations.

Housing - necessity to attract back to city more middle-class population.

Questions for the Commission:

1. How can manpower policy and programs make a larger contribution to urban economic development?

2. If the cutting edge of the new economy is business services how can low skilled people be fitted into this sector? Can apprenticeships be developed for technical jobs in the service sector?

3. If manufacturing centers find it difficult to transform themselves into service centers, what kinds of manpower programs and policies can ease the plight of the redundant population?

4. How can PSE jobs in the central cities be used to strengthen the infrastructure for urban economic development?

5. What are the probable impacts of the following trends on the future of the central cities:

   a) Higher cost of energy;

   b) More women interested in careers;

   c) Illegal immigrants;

d) Low birth rates;

e) Aging of the population;

f) Larger income transfers.

ELI GINZBERG
Chairman

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- *Proceedings of a Conference on Public Service Employment*, Special Report No. 1, May 1975.
- *Manpower Program Coordination*, Special Report No. 2, October 1975.
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- *The Need to Disaggregate the Full Employment Goal*, Special Report No. 17, January 1978.
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- *The Transformation of the Urban Economic Base*, Special Report No. 19, February 1978.

Reports listed above are available from the Commission at 1522 K Street, N.W., Washington, D.C. 20005.

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- An Interim Report to the President and the Congress of the National Commission for Manpower Policy: *Addressing Continuing High Levels of Unemployment,* Report No. 4, April 1976.
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Reports listed above are available from the Commission at 1522 K Street, N.W., Washington, D.C. 20005.

BOOKS PUBLISHED FOR THE NATIONAL COMMISSION FOR MANPOWER POLICY

which may be obtained from the publishers
at the addresses indicated below:

- *From School to Work: Improving the Transition,* Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, August 1976. Stock No. 040-000-00364-9. Price $3.00.
- *Employability, Employment and Income: A Reassessment of Manpower Policy,* Olympus Publishing Company, Salt Lake City, Utah 84105, September 1976.
- *Jobs for Americans:* Prentice Hall, Inc., Englewood Cliffs, New Jersey 07632, October 1976.